

# Rate Structures and Efficient Water Use

Consumers respond to price. Generally, a higher water bill leads to lower water consumption over time. Rate structures that charge for the amount of water used, and charge a higher rate for consumption above a certain level (or during a certain period of time) encourage customers to use water efficiently.

Many consumers consider water to be essentially “free” and are resistant to paying higher prices. Only when customers understand that rates pay for *all* the costs of water service – including finding and building new water sources – are they willing to consider higher rates and efficiency measures.

Although consumption-oriented rate structures are an important step in managing water demand, they are most effective when part of a comprehensive conservation package that includes both internal and external measures. Customer involvement and education about the rate structure are critical to success.

Designing efficiency-oriented water rates that meet revenue requirements and are fair and equitable to all classes of customers is a multi-step process that must address various issues. Staff, rate committee or consultant time would be required to develop the new rates and predict their impact on system revenues and customers.

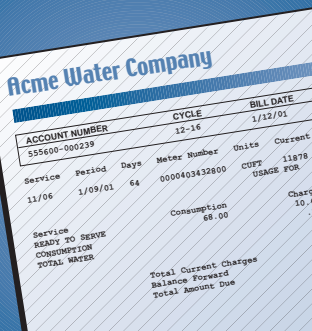
## Types of Efficiency Rate Structures

Most rate structures generally contain two elements: a fixed service charge and a charge based on consumption.

A fixed service charge should reflect the true costs of delivering water and a minimum use charge. The true costs of delivering water include current operating costs, the costs associated with over-sizing the system to meet maximum daily demand, and the costs of developing future sources of water.

Consumption charges that encourage the efficient use of water include:

- **Increasing block (inverted block) or tiered rates** have a per-unit charge that increases as water consumption increases.
- **Seasonal rates** include an additional charge for water use above a certain threshold during months when system demand is highest.



A sample water bill from Acme Water Company. The bill includes account information, service details, and a breakdown of charges.

ACCOUNT NUMBER				CYCLE		BILL DATE	
555600-000239				12-16		1/12/01	
Service	Period	Days	Meter Number	Units	Current		
11/06	1/09/01	64	0000403432800	CUF	11876		
				CONSUMPTION	USAGE FOR		
				Consumption	68.00		
				Total Current Charges			
				Balance Forward			
				Total Amount Due			

*For assistance with  
water use efficiency  
planning, contact  
your regional water  
conservation specialist.*

**Northwest**  
**Regional Office -**  
**253-395-6769**

**Southwest**  
**Regional Office -**  
**360-664-2543**

**Eastern**  
**Regional Office -**  
**509-456-5067**

## Where To Get More Information

*Overview of Conservation-Oriented Rate Structures for Public Water Systems*, Washington State Department of Health

*Small System Guide to Developing and Setting Rate Structures*, Rural Community Assistance Corporation

*Water Conservation Measures*, National Drinking Water Clearinghouse fact sheet

*Water Rates: Information for Decision Makers*, Rural and Small Systems Training Guide, National Rural Water Association